LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7896
BILL NUMBER: SB 529

NOTE PREPARED: Feb 11, 2005
BILL AMENDED: Feb 10, 2005

SUBJECT: Department of Child Services.

FIRST AUTHOR: Sen. Lawson C
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
X **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill extends the expiration of the Office of the Secretary of Family and Social Services (FSSA) and its divisions to January 1, 2008.

The bill also establishes the Department of Child Services and removes: (1) child protection service duties; (2) child support services under Title IV-D; (3) adoption services; (4) foster care services; and (5) independent living services; to the Department.

The bill adds references to the State Central Collection Unit concerning income withholding by employers for child support payments and allows the Department of Child Services to assess a civil penalty of $25 per obligor per pay period against certain income payors that do not make the payment through electronic funds transfer.

The bill renames the Division of Family and Children to the Division of Family Resources.

The bill repeals: (1) statutes that require county offices of Family and Children to establish a local child protection service; and (2) the designation of the Child Support Bureau as the state's designated Title IV-D agency.

Effective Date: Upon passage; July 1, 2005.

Explanation of State Expenditures: (Revised) *Summary:* This bill creates the Department of Child Services and removes child protection service duties from the county offices of the Division of Family and Children and removes the Title IV-D program from the Child Support Bureau. The establishment of a Department of Child

Services and the statutory transfer of various functions and responsibilities of the Department will not necessarily represent a fiscal impact to the state. Any costs that might be incurred from a physical relocation of offices and any expenditures that could be reduced because of operational efficiencies will depend upon administrative action.

Background Information on the Department of Child Services: The Governor is to appoint a director of the Department of Child Services. The director is entitled to compensation set by the State Budget Agency. The director shall determine the best manner of organizing the Department.

The Department is responsible for the following: (1) providing child protection services, (2) administering the state's plan for the administration of Title IV-D of the federal Social Security Act, (3) administering foster care services, (4) administering independent living services, and (5) administering adoption services.

The bill allows the Department to adopt rules as necessary to carry out the Department's duties.

The bill transfers all employees of local, joint-county, or multiple-county child protection services to the Department. It requires the state to recognize any service an employee provided before the effective date of this bill for calculation of benefits or retention points. FSSA currently employs approximately 800 child protective services workers.

Background Information on the Renaming of the Division of Family and Children: The bill renames the Division of Family and Children (DFC) the Division of Family Resources (DFR) and transfers the powers, duties, and functions of the DFC to the Division of Family Resources. The bill requires the DFR to amend rules adopted by the DFC to reflect the name change. The bill also requires the Legislative Services Agency to prepare legislation for introduction in the 2006 regular session of the General Assembly making appropriate changes in statutes that are required to reflect the name change. These actions are administrative in nature and should be accomplished by both agencies within the current level of resources available.

Reauthorization of FSSA: This bill also reauthorizes the administrative structure of FSSA until January 1, 2008. The fiscal impact of allowing the legislative authorization for FSSA to expire would most likely be related to the termination of rule-making authority that is vested in the entities that would sunset.

Background Information on the Reauthorization of FSSA: This bill extends the expiration date of the administrative structure of FSSA to January 1, 2008. (Current law provides for the expiration of the administrative structure on January 1, 2006.) The FSSA administrative offices affected are:

(1) The Office of the Secretary of Family and Social Services.
(2) The Office of Medicaid Policy and Planning.

The bill also extends to January 1, 2008, the expiration date of a statute that governs procedures of Family and Social Services advisory councils and the expiration date of statutes that relate to certain powers of the directors of the following divisions:

(1) Disability, Aging, and Rehabilitative Services.
(2) Family and Children.
(3) Mental Health and Addiction.

This bill will continue the administrative structure of FSSA as it currently exists, although certain program functions and responsibilities are transferred by the bill from the Division of Family and Children to the newly established Department of Child Services. Depending upon the actions of the administration, failure to extend the expiration date, in practice, would not necessarily have an immediate fiscal impact. Upon its statutory expiration on July 1, 1999, FSSA was extended by the Governor's executive order. In lieu of extending the expiration date or a continuation of the executive order, if the positions were able to be reallocated under the existing appropriations, any potential fiscal impact from the termination of these entities would more likely arise from the loss of rule-making authority vested in these positions by statute.

State Central Collection Unit: The bill will require the centralization of the collection of child support payments in the IV-D program. The Department reports that this action is required to avoid penalties from the federal government. Penalties could include $25 M in state child support incentive money, and $250 M in TANF funds. The bill will require child support withholding orders to require that payments be remitted to the State Central Collection Unit rather than county clerks unless they are non-income withholding payments. In FFY 2004, the state collected approximately $25 M per month in child support payments through its State Central Collection Unit. It collected an additional $25 M per month in income-withholding orders, and $18 M per month in non-income withholding orders through county clerk offices. Thus, the state would be collecting an additional $25 M monthly through its State Central Collection Unit. The Child Support Bureau reports that it would need an additional 18 to 20 central office staff to process the increase in payments.

Some of the funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. As of January 6, 2005, the Child Support Bureau had 10 vacancies, including four PAT 2, two COMOT 3, and four COMOT 4 positions. Actual increases in expenditures for staff are unknown and are dependent on administrative and legislative action.

The bill will also require that employers that employ more than 50 employees and that also withhold child support for more than one obligor must makes remittance to the State Central Collection Unit by electronic funds transfer. The Department reports that this provision should speed the payment of child support to the children for whom it is received as well as allowing for administrative efficiencies. (See also the *Explanation of State Revenue*)

Explanation of State Revenues: (Revised) The bill requires that an employer that employs more than 50 employees and that is also obligated to withhold child support payments from more than one obligor is required to remit those payments through the use of electronic funds transfer. The Department is required to assess a civil penalty of $25 per obligor for each payroll period that this provision is not met. The penalty is to be deposited in the General Fund. The amount of the civil penalty assessed and collected would be dependent upon individual circumstances.

Explanation of Local Expenditures: The Indiana County Clerks Association reports that shifting all income-withholding orders from the county clerk offices to the State Central Collection Unit would not result in a reduction in the number of staff employed across the state to receive child support payments.

However, county clerks currently submit a form through FSSA to the federal government for reimbursement of 66% of administrative costs for collection of child support payments. Counties fund the remaining 44%. This bill would result in counties experiencing a reduction in the amount of revenue received from the federal government and a decrease in expenditures paid. Any increases or decreases in revenues or expenditures are unknown and will vary by county.

Explanation of Local Revenues: (Revised) The Department reports that federal incentive payments in the amount of $25 M for child support enforcement activities conducted by the counties are in jeopardy if child support collection is not centralized.

State Agencies Affected: Family and Social Services Administration, Division of Family and Children, Division of Family Resources, the Department of Child Services, and the Legislative Services Agency.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Sarah Brooks, 317-232-9559.